

Message Text

CONFIDENTIAL

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-10 L-03

NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 EB-08

COME-00 OPIC-03 OMB-01 TRSE-00 /078 W

-----046195 160831Z/10

R 141644Z JUL 78

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 6334

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION USNATO

DIA WASHDC

USNMR SHAPE BRUSSELS BEL

COMUSFORAZ

CONFIDENTIAL LISBON 5249

E.O. 11652: XGDS-3

TAGS: PINT PO

SUBJECT: PS/CDS COALITION CRISIS CONTINUES

REF: LISBON 5065

1. THE BYPLAY: THE CDS CALL JULY 8 FOR CABINET CHANGES
AND IMPROVED RELATIONS BETWEEN THE GOVERNMENT AND PRESIDENT
EANES (REFTEL) HAVE LED TO A SERIES OF MEETINGS BETWEEN CDS
PRESIDENT FREITAS DO AMARAL, PRIME MINISTER SOARES, AND
PRESIDENT EANES. IN PUBLIC STATEMENTS SOARES AND AMARAL
HAVE BEEN GUARDED AND MILDLY OPTIMISTIC THAT PROBLEMS COULD
BE WORKED OUT. CDS INSIDER CAETANO CUNHA REIS, HOWEVER,
TOLD EMBOFF JULY 13 THAT THE CDS LEADERSHIP COULD NOT GO
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BACK TO THE PARTY'S NATIONAL COUNCIL WITH ANYTHING LESS THAN
FULL SATISFACTION OF ITS DEMANDS. REIS EXPECTED THE
SOCIALISTS TO MAKE THE NECESSARY CONCESSIONS, BUT DID NOT
EXPECT RESOLUTION OF THE CONFLICT BEFORE THE JULY 23 CDS
NATIONAL COUNCIL MEETING. SOCIALIST LABOR MINISTER AND
PS SECRETARIAT MEMBER MALDONADO GONELHA TOLD LABATT JULY
14 THAT THE PS SECRETARIAT MEETING JULY 15-16 WOULD BE

DIFFICULT AND THAT PS LEFT-WINGERS WOULD PRESS FOR A TOUGH RESPONSE TO THE CDS. GONELHA HINTED THAT THE SOCIALISTS HAD A PROPOSED SOLUTION BY WHICH THE AGRICULTURE AND FISHERIES FUNCTIONS WOULD BE SPLIT, THEREBY ANSWERING CDS COMPLAINTS AGAINST MINISTER SAIAS'S HANDLING OF AGRARIAN REFORM.

2. PSD ON THE ATTACK: THE SA CARNEIRO-LED SOCIAL DEMOCRATS RESPONDED IN PREDICTABLE FASHION TO THE DIFFICULTIES WITHIN THE GOVERNMENT COALITION AND HAVE ACCUSED THE CDS OF UNLEASHING A POLITICAL CRISIS. IN HIS FIRST TELEVISION APPEARANCE SINCE REASSUMING THE PARTY PRESIDENCY, PSD PRESIDENT SA CARNEIRO JULY 13 CHARACTERIZED THE GOVERNMENT AS INCOMPETENT, CRITICIZED ITS CONCILIATORY POSTURE TOWARD THE PCP, AND CRITICIZED PRESIDENT EANES FOR FAILING TO ADOPT A MAJOR ROLE IN PROMOTING "NATIONAL SALVATION."

3. COMMENT: THIS IS THE FIRST MAJOR TEST OF THE PS/CDS AGREEMENT REACHED LAST FEBRUARY. THE PROCESS BY WHICH A SATISFACTORY RESOLUTION OF THE CRISIS IS PURSUED DURING THE TOUGH BARGAINING AHEAD WILL ITSELF HAVE A MAJOR EFFECT ON THE FUTURE OF PS/CDS RELATIONS AND THE SURVIVABILITY OF THE COALITION IN THE LONG RUN.

BLOOMFIELD

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NNN

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